

DynaM Analysis, December 2013

A collaboration between the RSZ (National Social Security Office) – HIVA-KULeuven - Federgon

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The Belgian labour market after 5 years of crisis: never before has the degree of job creation been so low

At no time in the last ten years have fewer jobs been created in the Belgian labour market than during the most recent crisis period (2011-2013). Employment in Belgium held up relatively well during the first period of the crisis (2008-2009). Businesses drew heavily on temporary crisis measures, such as temporary layoffs and temporary working hour reductions for workers. But the slight recovery that took hold in the labour market began to give out in 2011. Though the economic relapse was less severe than it was in 2008-2009, the net loss of jobs was greater than the economic trend would have led us to expect. One explanation for this paradox is that the buffer of temporary measures is reaching exhaustion. Also, the labour market crisis is now affecting some of the sectors that had pulled through the first crisis period unscathed. Jobs in the public sector and education, in particular, are disappearing faster than they are being created. These sectors are no longer able to offset the net job losses in industry, construction, trade and catering, and in the financial sector.

1. The labour market is still in crisis (2011-2013)

The first crisis period in 2008-2009 hit the Belgian labour market hard. Between June 2008 and June 2009 there was a net loss of 20,000 jobs, or a net drop of 0.5%. In 2011-2012 the labour market crisis was less severe, but harsher than the economic growth might have led us to expect¹. Between June 2011 and June 2012 employment fell in Belgium by 14,500 jobs, or 0.4% (see Table 1). These year-on-year trends are based on corrected DynaM figures for 2005-2012, which cover 99.9% of employees registered with the RSZ (National Social Security Office) and the RSZPPO (National Social Security Office for provincial and local administrations). Quick estimates by the RSZ suggest that the loss of net employment continued between 2012 and 2013. The RSZ estimates the loss of jobs at 0.7% compared with 2012². The labour market is also recovering more slowly from this second crisis period.

¹ Annual economic growth, in terms of the trend in GDP compared with the previous year, in the period from June 2008 to June 2009, amounted to -0.9%. Between June 2011 and June 2012, Belgian GDP fell slightly, by 0.2%. Between June 2012 and June 2013 the Belgian economy grew by 0.1%. These are variable percentages, corrected for the seasons and calendar effects compared with the corresponding period for the previous year, of Gross National Product (GNP) according to volume in chained euros..

² RSZ (National Social Security Office), Quick estimates of employment:

<http://www.rsz.fgov.be/nl/statistieken/publicaties/snelle-ramingen-van-de-tewerkstelling>. The RSZ (National Social Security Office) issues quarterly trend tables including recent estimates in relation to employment. These quick estimates relate to RSZ employment only (i.e. excluding RSZPPO employment – employment in provincial and local authorities).

Table 1: Total job creation (degree) and job destruction (degree), Belgium, RSZ and RSZPPA employment, June 2005- June 2013

Period	Job creation		Job destruction		Net employment trend	
	N	%	n	%	n	%
2012-2013*					-25,389	-0.7
2011-2012	186,996	4.9	201,494	5.2	-14,498	-0.4
2010-2011	218,244	5.7	164,190	4.3	54,054	1.4
2009-2010	215,303	5.7	177,398	4.7	37,905	1.0
2008-2009	198,422	5.2	218,272	5.8	-19,850	-0.5
2007-2008	247,501	6.6	163,303	4.4	84,198	2.2
2006-2007	229,648	6.2	173,812	4.7	55,836	1.5
2005-2006	216,603	6.0	173,472	4.8	43,131	1.2

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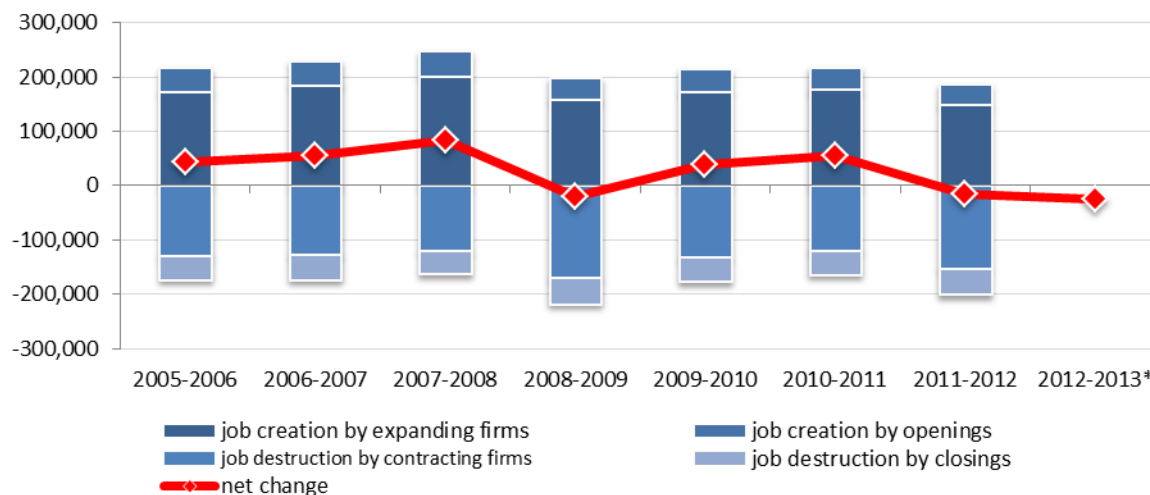
2012-2013*: estimate based on RSZ data. DynaM-corrected data on job creation and job destruction could not yet be generated for 2012-2013.

Time indicator: for every 100 existing jobs in 2011 another 4.9 were added between 2011 and 2012 (= job creation degree). For every 100 existing jobs in 2011, 5.7 jobs were lost between 2011 and 2012 (= job destruction degree). The total number of workers in paid employment was 3,843,772 in 2011. A year later, in 2012, this figure had reduced by 0.4%.

2. It is the low degree of job creation that is most noticeable during this second labour market contraction

The DynaM analysis reveals that the negative employment growth has a different dynamic in the two crisis periods. What sets the first crisis period apart is that many jobs were lost, but that many new ones were created at the same time. This is the process of creative destruction. In every year-on-year period we see a considerable stream of job creation alongside an equally considerable stream of job destruction (bars above and below the zero axis in Figure 1). This also holds true for the crisis periods. Businesses create jobs even when the economy is contracting (blocks of expanders and contractors in Figure 1). Between 2008 and 2009, 198,000 jobs were created and 218,000 were lost. Between 2011 and 2012 just 187,000 jobs were created, whereas 201,500 jobs were lost. In the second period, 2011-2012, we note that job creation is lower and so does not offset job destruction to the same extent. The process of creative destruction has therefore slowed. The balance of the two job streams is the net trend (unbroken line in Figure 1). We see two important reasons for this: firstly, the buffer of temporary employment and other temporary crisis measures is reaching exhaustion. And secondly, the compensatory effect of the growth sectors was no longer present in the recent crisis period.

Figure 1: Job reallocation on the Belgian labour market (June 2005-June 2013)

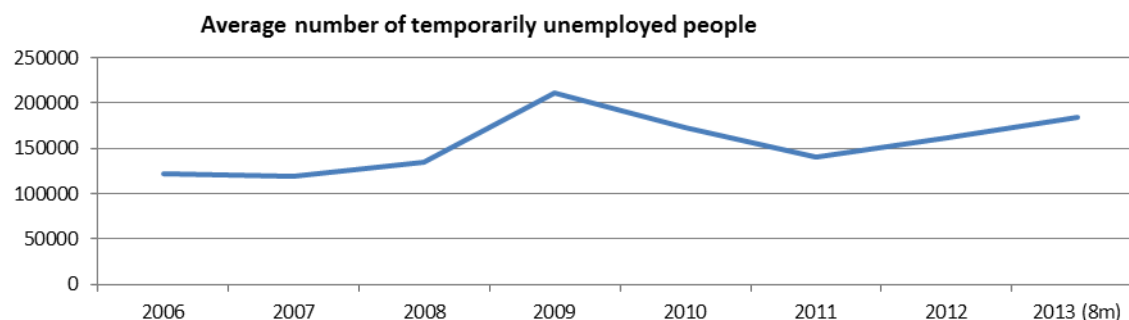


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3. *Businesses are taking fewer temporary measures now and are quicker to turn to redundancies*

It is generally accepted that Belgian employment held up relatively well during the crisis, thanks to temporary crisis measures such as temporary unemployment and reduced working hours for workers (besides the fact that a great many temporary contracts were ended). This helped prevent a great many redundancies. But the most recent figures reveal that this was only temporary. In the recent crisis period, businesses were less inclined towards temporary unemployment (average of 185,000 in 2013, compared to 210,900 in 2009).

Figure 2: Average number of temporarily unemployed people, Belgium, 2006-2013 (estimate of average for 2013)



Source: RVA (National Employment Office)

As an initial response to the economic crisis (2008-2009) employers in our country handled the fall in demand for labour in some cases by keeping their employees on but offering reduced working hours. This is confirmed by the drastic fall in labour volume, or the number of hours that people work. In the second crisis, which is lasting longer than the first, this internal buffer is reaching exhaustion and redundancies are more likely. There is also the fact that once employees leave or retire, they are replaced less often or less rapidly.

This trend is also confirmed by the figures for employees facing collective redundancy. In 2009, for example, 10,431 employees were faced with collective redundancy in Flanders. In 2012 the number was not much lower (9,226 employees)³, although the economic context was better during the second crisis period.

4. Employment in government, construction and other sectors was also hard hit in the second dip

We note that the creation-destruction process described above is also slowing in the economy as a whole. In the first crisis period it was mostly export-oriented sectors that showed a stronger negative trend, due to a decline in foreign demand. This mostly involved the industrial sectors (4.3% loss of employment), along with the temporary employment sector (-5%) and the financial (-1%) and ICT (-1.2%) sectors. This sharper fall was to some extent offset by other sectors that did show a positive net trend (due in part to stronger job creation), mostly in the public sector, education and healthcare. In the recent crisis period, however, agriculture (-5.5%), the public sector and education have joined the line of “sectors in crisis” (-1.1% or a loss of 9,602 jobs in 2011-2012). There is also a prevailing sense of uncertainty, and this is expressed in lower business confidence⁴ and lower investment readiness⁵. The resulting picture for the economy as a whole is very sombre. The quick estimates of the RSZ (National Social Security Office) show that this trend was reinforced between 2012 and 2013. 2013 results in a drop in net employment of 0.7% in trade and catering, of 1% in the financial sector, 2.6% in construction and 2.7% in industry, with declines further expected in public administration and education.

³ Source: VDAB (Public Employment Service of Flanders)

⁴ Source: National Bank of Belgium, Monthly Economy Survey of businesses, October 2013:
<http://www.nbb.be/doc/dq/n/dq3/pnc.pdf>

⁵ FPS Economy, Turnover and investments per year, quarter, province and economic activity (NACE 2008) according to the VAT returns, 2006-2012

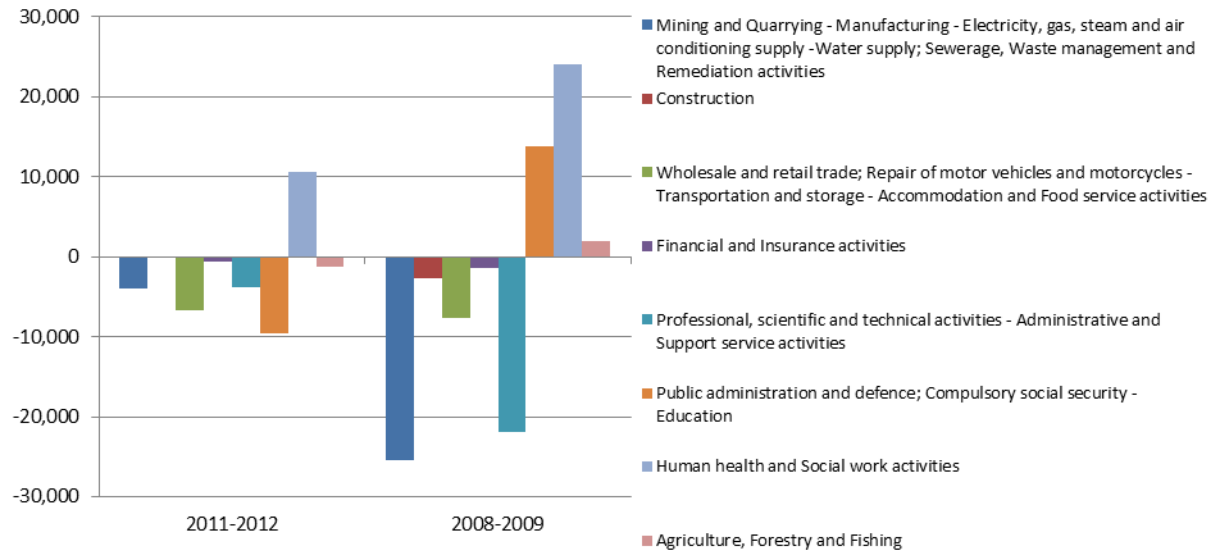
Table 2: Job creation (degree) and job destruction (degree) per sector, Belgium, RSZ and RSZPPO, comparison of crisis period 2008-2009 and crisis period 2011-2013

Period	Economic activity	Job creation		Job destruction		Net employment trend	
		n	%	n	%	n	%
2012-2013*	Total					-25,389	-0.7
	Agriculture					7	0.0
	Industry and utility sectors					-14,062	-2.6
	Construction					-5,427	-2.6
	Trade and catering					-9,312	-1.1
	Information and communication					379	0.4
	Financial sector					-1,936	-1.5
	Admin and support services (incl. temporary labour)					118	0.0
	Public administration and education					-176	0.0
	Healthcare					5,259	1.2
2011-2012	Total	186,996	4.9	201,494	5.2	-14,498	-0.4
	Agriculture	4,010	17.6	5,262	23.1	-1,252	-5.5
	Industry and utility sectors	20,220	3.7	24,194	4.4	-3,974	-0.7
	Construction	20,752	9.6	20,808	9.6	-56	0.0
	Trade and catering	58,602	7.0	65,358	7.8	-6,756	-0.8
	Information and communication	5,619	6.0	5,423	5.8	196	0.2
	Financial sector	3,825	2.8	4,412	3.3	-587	-0.4
	Admin and support services (incl. temporary labour)	34,026	7.0	37,855	7.8	-3,829	-0.8
	Public administration and education	9,966	1.1	19,568	2.2	-9,602	-1.1
	Healthcare	17,231	3.6	6,607	1.4	10,624	2.2
2008-2009	Total	198,422	5.2	218,272	5.8	-19,850	-0.5
	Agriculture	4,836	25.3	2,912	15.3	1,924	10.1
	Industry and utility sectors	17,078	2.9	42,526	7.2	-25,448	-4.3
	Construction	19,630	9.2	22,273	10.5	-2,643	-1.2
	Trade and catering	59,796	7.2	67,486	8.1	-7,690	-0.9
	Information and communication	5,370	5.4	6,552	6.6	-1,182	-1.2
	Financial sector	4,142	3.0	5,561	4.0	-1,419	-1.0
	Admin and support services (incl. temporary labour)	22,528	5.6	44,432	11.1	-21,904	-5.5
	Public administration and education	21,575	2.4	7,758	0.9	13,817	1.5
	Healthcare	30,947	6.8	6,898	1.5	24,049	5.3

2012-2013*: Figures are estimates based on RSZ data (National Social Security Office). DynaM corrected data on job creation and job destruction could not yet be generated for 2012-2013.

Please note: caution should be exercised in the interpretation of some figures. The strong increase in job creation for administrative and support services and the strong drop in job creation for healthcare can, in the first place, be attributed to an administrative change in the recording of jobs via service cheques (as of 2010).

Figure 3: Net employment trend in absolute figures, sectors, Belgium, 2008-2009 compared to 2011-2012



Source: RSZ (National Social Security Office) and Dynam-Belgium.org

5. Conclusion

At no time in the last ten years have fewer jobs been created in the Belgian labour market than in the most recent crisis period (2011-2013). During the second dip, the aftershock of the crisis hit harder than the economic trend might have led us to suspect. Firstly, this is because the buffer of temporary unemployment is reaching exhaustion. Also, unemployment is now affecting more sectors, such as the public sector and education. An analysis of the underlying streams in the labour market tells us that not just job destruction, but job creation, is declining in the aftershock of the crisis. If the tide is to turn it is important that more jobs are created than lost in some businesses and sectors.

DynaM is an innovative project that charts turbulence on the Belgian labour market. The figures produced by DynaM are based on a reliable administrative source, managed by the RSZ (National Social Security Office). DynaM's figures cover almost 100% of workers and a good 99% of the wage earners in Belgium.

The analysis uses RSZ data on paid employment in Belgium, which, thanks to the DynaM correction method, reveals the real, underlying labour market dynamics (which differ to some extent from the apparent dynamics in the administrative RSZ data – hence the need for correction). In this study inflow, outflow and job mobility are operationalized as year-on-year streams of workers on the labour market (from one company to another), to the labour market and from the labour market, for every two-year period between 2006 and 2012. The data do not offer information on employee streams within companies, however.

HIVA – KU Leuven and **RSZ (National Social Security Office)** have developed a scientifically validated method to convert this basic data into reliable statistics on the labour market. The definitions are in line with OCDE and EUROSTAT guidelines, and the method uses insights taken from recent scientific research.

Federgon is the federation of HR service providers. A sector federation, Federgon represents companies operating in the areas of employment-finding and HR services in the broadest sense of the words. Federgon supports HIVA research through the **Federgon "Dynamics of the labour market" Chair**.

DynaM publishes online figures and interpretations on www.dynam-belgium.org.